

To

Sir:

A subject has again been presented for your consideration, which in some shape has occupied the attention of the Legislature of this Province, a portion of each term of its Session within the last six or seven years.

It is of sufficient importance to have so occupied public attention, and we have only to regret that a proper estimation of its value, did not induce an early and efficient support to the Stockholders of the Welland Canal, so as to have enabled them to complete that work three years since.

By a perseverance on the part of the proprietors of stock which appears not to have been remitted under any discouragement, together with the public aid that has been given, the Canal is now prepared for navigation. In order however, to complete it, and give to the inhabitants the full advantage of the communication, much more is required to be done. The accomplishment of the object is now beyond the possibility of failure. A part of its most violent opponents are thus far disarmed, and the hope may reasonably be entertained, that the support of a work so intimately connected with the commercial prosperity of the whole country will be approved by all. There was a time when there was some foundation for the fear that the project would ultimately fail, and therefore some hazard was incurred in aiding the Company with public funds. That danger, if it ever did exist, must now be acknowledged to have passed. The simple question at present is, shall the Company be constrained to use the Canal in its present state, without availing themselves of the advantage of their local situation, by completing the western section for the larger vessels? This question would readily be answered, if the Company had in their own hands means to do it. But exhausted as the funds of the Company are, they must either postpone the great advantage of the extension or borrow money to accomplish it.

Trusting that no impression can be made by misrepresentation in a way to influence your opinion, with a full knowledge of the present state of the Canal, I have taken the liberty to address you, and think you will be satisfied that there is not the remotest hazard on the part of the Province to aid in completing the work to the fullest extent desired, and also that the adoption of such a measure as this will be productive of much good.—The report of the Directors for the last year has been delivered to you. From it will be seen that the Company have with the balance of stock on hand very little more than sufficient to pay the floating demand against them. The amount of their estate will enable them ultimately to complete their whole work, but from the sale of this no money can now be realized.

The Company I am told have made or are about to make an application for an additional loan from the Province in order to enable them immediately to complete the whole line of Canal to Lake Erie direct. Interested as the Province is as stockholder and creditor it becomes important to examine! Whether it is prudent to give any further aid to the operations of the Company, and what public benefit will be derived from it? or whether such aid should be given in the way named by the Directors in their report? Whether the best policy will not be to make an entire change in the relative situation of the Provincial Government and the Company, with regard to its loans? In order to proceed satisfactorily in this examination, the present financial situation of the Company must be given in general terms. On that the answers to all the enquiries entirely rest. I am willing to assume at the outset, that if a safe prospect of repayment cannot be fully and confidently exhibited, no further advance ought to be made.

The Company owe the Provincial Government,..... £50,000 0 0 Can. Curcy
To the Imperial Government, £50,000 Sterling,..... 55,555 10 0

£105,555 10 0

In order to pay this they have the Canal completed for large vessels by way of the Niagara and for Boats to the Grand River. To pay the interest on this debt, they require an income of nearly six thousand pounds. At present, from want of means and consequently of vessels, we cannot expect with any certainty any large immediate income; although we have assurances that the merchants of Oswego will place vessels on the line from Ohio to that place through the Welland Canal early in the spring. After the present season we may ~~only~~ ^{only} with safety on thirty vessels in the Oswego and Ohio trade. Those vessels will average a double voyage in 15 days. The tolls on which at the most moderate calculation will be one hundred dollars up and down, making \$36,400 the season. The trade on the British side may safely be estimated at one half that amount \$18,200 per year or in all \$54,600, leaving rent of machinery and the inland trade from Grand River, and what may be conveyed in boats, to pay the expenses of the Canal. This is the immediate prospect. What may we reasonably expect at the end of ten years with a very fertile territory and rapidly increasing population!

It will thus be seen that the affairs of the Company warrant the declaration that no apprehension need be entertained on the part of its creditors even without any further advance, and if no other inducement to granting additional aid existed on the part of the Government than the mere safety of its funds, nothing more is required to be done. But the Government of U. C. is also a Stockholder to an amount equal to its loan, beside the stock owned by the Province of Lower Canada. The adoption of a measure therefore that will increase the value of this stock, will most effectually promote the pecuniary interest of the Government.—It is only then necessary to decide whether the Western section of the Canal is of sufficient importance to warrant the expenditure of the sum requisite to complete it.

The advantage of continuing the navigation for the largest class of lake vessels, has been repeatedly shewn. This arises from several causes. To avoid the necessity of waiting for the opening of the outlet of Lake Erie in the Spring which is commonly closed with ice, sometime after the Lakes and Canal may be used. To avoid the difficulty of ascending the Niagara River and the narrow part of the Lake. To save a distance as stated in the report of the Commissioners of 50 miles Lake and 18 miles River sailing. This distance depends on the ultimate determination of the Directors in relation to the most eligible Bay of Lake Erie for the termination of the Canal.

It is generally conceded that to complete this Western section is requisite to give the Canal the full preference over any other route, that is claimed for it by its advocates; and there are some who think that without such extension it cannot be advantageously used at all.

I believe that without completing the Western section it will be generally used and be productive stock, but the continuation will give it so decided an advantage in every respect, that if its cost were five times as much as is estimated, I would as a Stockholder deeply interested in its success, be an advocate for the expenditure to accomplish so desirable an object.

It is said that £25,000 will be sufficient. I have long since avoided placing confidence in estimates for works of this description. It is well to look at them, they may afford some ground for conjecture. But suppose the cost should be double, say £50,000 including the necessary improvement of a harbor. Still every prudent consideration of advantage would require its being done. Without any further examination of this branch of the subject, soliciting your attention to the conclusive proofs relative to it, that have been repeatedly furnished, and which I forbear to exhibit in detail because they are familiar to your minds, I think it is manifestly the decided interest of the Province to have the whole work finished, and to furnish the means that may be required. There are two modes in which this may be done, either by loaning to the Company the necessary specific sum required, leaving their present debts as they are, or changing the whole pecuniary situation of the Company in relation to its creditors. The Canal has now cost £300,000. Of this £200,000 is subscribed stock £50,000 of which is owned by this Province and £25,000 by the province of Lower Canada. The loan from this Province £50,000. The security for this money is postponed to the lien of £50,000 Sterling held by the Imperial Government. Should it become necessary for the safety of its funds, this Province must ultimately provide for liquidating the debt due to the Imperial Government; that increases the interest of the Province to more than half its cost. In this state of things the means can be furnished by the Province to pay the debt of the Company to the Imperial Government and finish the Western section of the Canal too, without incurring any hazard. The present colonial debt is direct with the creditors of the Colony. The Canal is not known in it. In some of the United States a different course has been adopted. Whenever aid has been given to private enterprise engaged in a work promising to be of public utility, the state has either subscribed to the stock or loaned its credit to the Company taking security upon their property; the Company providing for the payment of interest and principal.

The State of New York loaned the credit of the State to the Hudson and Delaware Canal Company for \$800,000, a Canal possessing no advantages that can be compared to the Welland Canal. Their pecuniary situation was similar to that of the Welland Canal Company, some progress had been made in their work, the expenses had exceeded the estimates and the whole amount of subscribed stock was expended. In this situation the State of New York passed an act loaning its credit by the issue of debentures payable to that Company for \$800,000 bearing an interest of five per cent. per annum payable in twenty years—granting the Company permission to purchase said debentures within the said time, have them cancelled, and credited to said Company in sums not less than \$5000 at any one time.

By the last message of the Governor of that State, it appears that the Company have already given satisfactory evidence that this aid has been so useful and efficient as to enable them with ease to fulfil their engagement with the State. The State of Louisiana has also adopted the same plan and issued its debentures in sums of \$1000 each for \$1,000,000, to an agricultural association, who have assigned or endorsed the same in blank. This latter loan is payable in London, and is held by capitalists there.

This mode of aiding possesses greater advantages than any other. The property of the Company forms the pledge in the hands of the Government to redeem the debt and prevents the necessity of creating any other.—The Capitalist feels an assurance of great punctuality in the payment, interest and principal, in consequence of holding the double responsibility of the Government and the provided fund of the Company, which cannot be diverted from its proper channel. If it shall be thought prudent to adopt this plan with regard to the Welland Canal Company, the whole arrangement would easily be made at a reasonable rate of interest. The present debt of the Province is payable at a short day. Suppose a law should be passed loaning the credit of the Province to the Welland Canal Company for £200,000 in debentures of £200 each bearing an interest of five per cent. per annum payable semi-annually and the principal in 25 years in London—with permission to pay in these same debentures at any time within or at the expiration of that period in sums not less than two thousand pounds at any one time and have such payment credited to said Company until the whole debt for which the Provincial credit shall be so loaned shall be paid. The effect of this would be, that all attention to provide for the payment of this debt would be transferred to the Company, and much would be saved to them in their direct negotiations.

The £50,000 Sterling to the Imperial Government would be paid and their lien on the Canal removed; and it is not unreasonable to assume the position, that the payment of the one-ninth of the cost of the Canal promised by the dispatch of Lord Bathurst in 1826, and withheld in consequence of the loan of £50,000 must on the re-payment of that loan be paid to the Company. All the transactions in relation to the Canal would be now immediately connected with the Colonial Government solely. The whole of this sum might not be required by the Company; but in order to place it on a footing to command the transportation through the Canal of all the produce of the Upper Lakes, and to render the passage into and through it from the different quarters where it may be profitable, perfectly easy, will require an expenditure that has not been estimated. By this arrangement, provision will be made to furnish the Company with such funds as they may require, and no loss will be incurred on the debentures they shall not find it necessary to use. Whenever the Company discover that they will not be needed, they may then be returned in the way I have named and credited upon the debt. Much inconvenience has been experienced by the precarious manner in which the funds for operations in progress have necessarily been provided.

It is a fact well known and well understood in the commercial world, that borrowers must pay an interest not in proportion to their actual property responsibility but in proportion to their wants, their estimated responsibility and punctuality, and that estimation is often made by the persons most interested in depressing it and yet most assured of its safety. By such an arrangement all hope of speculation on that ground will be ended. The responsibility will have a shape the most acceptable to the capitalist, and the confidence in the company will enable them to enforce their contracts more advantageously than they have hitherto had it in their power to do.

There will be some advantage with regard to the finances of the Province. The idea of its being a debt of the Province is removed, and provision is made for its payment by the company. It is distinct from and disconnected with other provincial operations.

With the greatest respect,

I am, Sir,

Your Obedient Servant,

J. B. YATES.

